

## **Competition, Choice and Higher Education**

Indian higher education is in deep crisis. Our human resource structure, instead of being a pyramid with ever-increasing skills from base to apex, is more like an hourglass. At the bottom are millions of unskilled, illiterate workers eking out a precarious livelihood through back-breaking drudgery; at the top are the huge number of professionals of indifferent quality that the society cannot accommodate or put to productive use; and yet there are not enough professionally trained, skilled workers. We have more electrical engineers than electricians, more civil engineers than masons, and more superspecialists than family physicians.

Our examination system is archaic, testing student's memory and rote learning rather than analytical skills, application of knowledge, innovation and problem-solving skills. The curriculum is extremely rigid, centrally defined and does not leave any room for individual choice or experimentation. There is an artificial differentiation and packaging of majors into various streams like commerce, sciences etc. The Universities have increasingly exited from undergraduate education, and are groaning under the weight of hundreds of "affiliated colleges". Academic in-breeding has killed innovation and excellence, creating a stultifying atmosphere stifling freedom and preventing cross-fertilization of ideas. Explosive growth in professional colleges led to acute shortage of faculty, corruption in regulatory agencies, shameful malpractices, and incompetent teaching.

Scarce funding combined with the iron hand of misguided government regulation resulted in precipitous decline of quality. A vicious cycle has set in, with sub-standard education in both colleges and schools deepening the crisis in both. The government's tokenism in granting special funds to IIS or the oldest universities in erstwhile presidency towns is laughable. Public expenditure on higher education in India is of the order of 0.45% of GDP. Compare this OECD mean expenditure of 1.3% of GDP, with countries like Canada, Korea and the US recording 2.7% of GDP. The low share of public expenditure on an already low percapita income despite a high proportion of youth is converting our national asset of large pool of working population into a huge liability.

State failure has led to unbridled growth in private provision of education, which in turn detached the vocal middle classes from the public education system, further accelerating state's abdication. This privatization is accompanied neither by sensible, fair regulation, nor true competition and choice, but remained hostage to the discretionary powers the state. Patronage and rent-seeking behaviour have become the norms. Higher education system is suspended between overregulation and arbitrariness of the state on the one hand, and discriminatory patronage-based privatization allowing entry of unscrupulous profit seekers on the other hand. Predictably this led to decline in quality of professional education; as well as starvation of investment in liberal arts and basic sciences which still account for 65% of enrollment in higher education.

Excessive interference and corruption of state agencies led to serious discrimination against genuine private educational institutions, and helped profiteers and racketeers. For instance, a genuine, non-profit, high quality medical college is denied the realistic

fee structure to sustain quality education, making it unsustainable because the institution refuses to collect illegal and extortionary capitation fee. Yet, the sub-standard, unscrupulous private colleges are quite content with an unsustainable fee structure, since they habitually collect Rs 25 – 35 lakhs for admission into MBBS course!

There is enormous hunger for good quality higher education. Many talented youngsters from middle and wealthy classes are migrating abroad for good education. An estimated \$2 billion is spent by them abroad. The state cannot really redeploy significant additional resources to improve the quality of higher education, or create new institutions. Even by a conservative estimate, public expenditure in school education, healthcare, social security and infrastructure will have to increase by 4% of GDP per annum over the next few years. There simply is no realistic possibility of significant additional allocations for higher education, and we need to encourage private sector – non-profit and for-profit – to invest.

Clearly, we need to evolve sensible and viable financing mechanisms to promote investment and guarantee high quality. Any sensible financing and regulatory reform should be based on five cardinal principles. First, all regulatory and bureaucratic barriers in setting up a new educational institution must be removed. Take for example, the greater Boston area, which is home to about 100 colleges and universities. This intense competition gave rise to the world's top institutions like Harvard, MIT and Tufts. Entry barriers create monopolies and give undue first-mover advantage, creating a safety net for existing institutions, thus removing incentive to excel. The only sensible entry barrier should be the background of the promoters and the resources committed, so that the farce of Chattisgarh universities is not repeated.

Second, the students must have free choice to seek admission in any institution. Apart from removing the legal barriers, an independent accreditation and rating system and complete transparency will help students make informed choices. A nation-wide test can serve the purpose of measuring scholastic ability to facilitate the admission process. Third, there should be complete autonomy to institutions in all academic, financial, and management matters. Fourth, no student should be denied educational opportunity on account of financial constraints. A system of government scholarships, endowments and soft loans should be designed to ensure that every student can pursue higher education irrespective of birth and family income. Finally, regulation should be outcome-based, and not at entry level. The graduate should face appropriate tests conducted by the statutory agencies before admission into regulated professions like medicine, law and accounting.

We can dramatically transform our higher education and promote more investment, new institutions, high quality, equity, and professional standards. India has a priceless opportunity in higher education, and we can ill afford to squander it.

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